

European Banks – Credit Update

- More banks disclose details on their exposures to Russia and Ukraine, showcasing manageable levels while highlighting concerns surrounding cyber risk and business retention
- Primary markets were closed for Euro and Sterling among FIGs while a slew of covered bond issuance highlighted their appeal as a 'rainy day' asset class
- Secondary market spreads for Euro continued to experience headline-driven volatility, with widening across payment ranks, albeit at a significantly lower rate than their USD counterparts

William Hahn

Credit Analyst

+44 20 7597 5789

William.Hahn@uk.daiwacm.com

More Russia/ Ukraine disclosures show manageable situation for European banks

BNP Paribas – Europe's largest bank stated that its gross on- and off-balance sheet exposures to Russia amounted to EUR1.3bn (0.07% of the group total) and EUR1.7bn to Ukraine (0.09%). Net of guarantees and collateral the residual nominal exposure was around EUR500m. BNP also reportedly cut off its Russia-based staff from internal IT systems as it looks to strengthen its IT resilience in the face of potential cyberattacks. This would make it one of the first major European banks to exclude its overseas Moscow staff from IT systems. This move highlights the increasing importance and focus on cyber risk, with regulators such as the [SEC advocating for enhanced disclosure](#) requirements, which we would deem credit positive for bondholders.

BPCE – One of France's other major banks reported net on- and off-balance sheet exposures to Russia of EUR788m (0.09% of group total) and EUR63m to Ukraine (0.01%). Exposures were mostly skewed towards funding corporates or structured finance products and just EUR172m was directed at other financial institutions. The group's Asset Management business exposure was also rather limited. Various funds managed by Natixis Investment Managers relate mostly to Russian government bonds amounting to EUR302m and EUR97m to Ukraine as at end-February 2022. Compared to AuM of EUR1.26tr these appear negligible.

Deutsche Bank – Deutsche stated that it has already greatly reduced its dealings with Russia since 2014 with gross loan exposures standing at EUR1.4bn (0.3% of group loans), mostly lending to large Russian corporates (EUR1.1bn). Gross loans to Ukraine were just EUR600m. DB also stated that it has EUR1bn in undrawn commitments, mostly covered by export credit agency (ECA) insurance or drawdown protection as well as EUR500m in financial and trade guarantees; although a material part of this has rolled-off since end-2021. A large majority of its derivative exposures have been unwound, leaving DB with a net liability position with no material credit risk. Despite operating a very small subsidiary in Russia with a total balance sheet of just EUR1.5bn, DB management stated that it would not withdraw completely from the country. Comments made by DB's CEO during its investor day on Thursday suggested that "it would go against our values" and "not be the right thing in terms of managing those client relationships and helping them manage their situation". This stance stood in stark contrast to many of DB's European and North American peers but, after strong criticism, bank senior management retracted these comments the following day, vowing to wind down Russian operations.

Commerzbank – Germany's second largest private bank reported exposures at default (EaD) to Russia of EUR1.3bn, net of EUR400m in export credit guarantees and including undrawn lines of EUR300m. These cover exposures to corporate, FIG trade finance, and sovereign risk. CB stated that they have stopped doing new business in Russia and are winding down existing transactions

Credit Suisse – CS said its Russian subsidiary holds CHF195m in assets, employing 125 staff. Gross cross-border credit risk exposure to Russia was CHF1.57bn to Russia as at end-2021 (0.4% of the group credit risk exposure). Net of hedges, guarantees, insurance and collateral this figure was roughly halved to CHF848m (0.2%). By sector, exposures were geared primarily towards corporates (58% of total) and financial institutions (40%). The latter includes derivatives, trade finance and Lombard loans to wealth management clients. Concerning exposures to sanctioned individuals, CS stated that exposures in its Wealth Management division were minimal. Exposures to Ukraine and Belarus were described as 'not material'.

ABN Amro – Direct exposure to Russia was just EUR50m and relates to assets of Russian clients based outside of the country as well as short-term trade transactions. ABN stated that it had no direct exposure to Ukraine or Belarus.

Nordea – The Nordic bank already decided to close its Russian subsidiary back in March 2021, with the wind-down still ongoing. Nordea's latest annual report shows residual loan exposures to Russia of just EUR94m or 0.03% of the total loan book.

SEB – The Swedish group operates a small subsidiary in Russia and Ukraine and as per the 2021 annual report, full-year revenues from Russia amounted to SEK374m (~EUR35m; or 0.6% of total revenues). Total assets in the country were SEK6.7bn (~EUR620m; or 0.2% of group wide assets). Revenues from Ukraine were SEK57m (~EUR5m; or 0.09%) and assets were SEK1bn (~EUR90m; or 0.03%). The bank states that funds managed by SEB Investment Management were selling their limited exposure to the Russian market.

Primary and secondary markets

European **primary market** issuance volumes for SSAs stood at EUR5.6bn over the course of last week, below the market expectations of EUR7bn-12bn. FIG supply of EUR12.4bn was well above the weekly forecast amount of EUR3.5bn-7.5bn. The total 2022 year-to-date FIG volume of EUR134bn is 34.7% ahead of last year's issuance volume. SSA volumes, however, remain behind last year's level, down 20.6% at EUR179bn. For the week ahead, survey data suggest SSA volumes will range between EUR8bn-13bn and FIGs are expected to issue EUR5.5bn-9.5bn.

SSA primary markets saw host of German issuers enjoying a solid interest from investors ahead of last week's ECB meeting on Thursday. Euro supply from **NRW Bank**, **L-Bank** and **KfW** totalled EUR4.25bn across four deals, with ticket sizes larger perhaps than some onlookers would have expected. Maturities were also less defensive with L-Bank issuing a 10-year bond and even managing to shave 1bps off IPT.

(Table 1) Key Transactions

Issuer	Rank	Amount	Maturity	Final Spread (bps)	IPT (bps)	Book Orders
SSA						
NRW Bank	Sr. Unsecured	EUR1bn	5Y	MS - 15	MS - 15	n.a.
IBRD	Sr. Unsecured (Sustainable)	CNH1.5bn	2Y	3.05%	3.05%	n.a.
ADB	Sr. Unsecured	USD2.25bn	2Y	SOFR MS + 20	SOFR MS + 20	>USD2.75bn
ADB	Sr. Unsecured	USD1.5bn	7Y	SOFR MS + 36	SOFR MS + 36	>USD2bn
KfW	Sr. Unsecured (Tap)	EUR1bn	Jun-2026	MS - 37	MS - 37	>EUR2.15bn
KfW	Sr. Unsecured (Tap)	EUR1bn	Jan-2031	MS - 23	MS - 23	>EUR2.3bn
L-Bank	Sr. Unsecured	EUR1.25bn	10Y	MS - 9	MS - 8	>EUR1.7bn
FIG (Senior)						
Standard Chartered	Sr. Unsecured	CNH1.1bn	4NC3	4.35%	4.35%	n.a.
NatWest	Sr. Unsecured (OpCo)	CHF300m	3Y	SARON + 100	SARON + 100	n.a.
Lloyds Group	Sr. Unsecured	USD1bn	4NC3	T + 160	T + 180	n.a.
Lloyds Group	Sr. Unsecured	USD1bn	6NC5	T + 180	T + 195/200	n.a.

Source BondRadar, Bloomberg.

The ongoing war in Ukraine continues to weigh on **FIG** issuance. The week was characterised by covered bond issuance, which in the current climate is viewed as a secure and resilient asset class. The prospects for further issuance of CB have likely improved follow the more hawkish stance taken by the ECB at its Governing Council meeting last Thursday. Based on Bloomberg data FIGs recorded EUR11.1bn in CB issuance across eight tranches. About half were non-European issuers such as NAB, Bank of Nova Scotia, ANZ Bank or Westpac, issuing in either Euro or Sterling. There were otherwise only a handful of senior unsecured deals in the market last week. **NatWest** issued a short-dated Swiss Franc note and the bond was gradually upsized on the back of solid book orders to its final size of CHF300m, in line with IPT, pricing with a new issue premium of some 10bps. **Standard Chartered (SCB)** placed a CNH1.1bn (~USD175m) 'dim sum bond' late last week. The short-dated note forms part of the group's USD77.5bn funding.

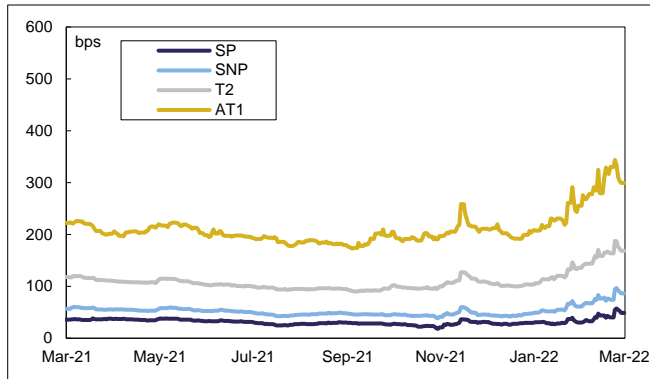
Secondary market spreads were wider in EUR and USD, while risk indicators tightened week-on-week. CDS price indices on European senior (92bps) and subordinated financials (173bps), as measured by iTraxx benchmarks, priced -13bps and -30bps higher than last week's levels, setting new 52-week highs.

FIG Euro-bond spreads continued to experience headline-driven volatility, this week showing moderate widening across payment ranks, albeit at a significantly lower rate than their USD counterparts. Last Thursday, the ECB's Governing Council meeting responded to the recent marked deterioration in the near-term inflation outlook by announcing a more abrupt slowdown of net asset purchases in the coming quarter than previously planned. In addition, the Council stated that if the medium-term inflation outlook does not weaken over coming months, the net purchases will be brought to an end in the third quarter, thus making room for a rate hike before the end of the year. Nevertheless, the Governing Council also dropped a previous pledge to end the net purchases "shortly" before rate lift-off, instead insisting that any adjustments to interest rates will take place "some time after the end of the net purchases and will be gradual". Daiwa economists therefore believe that the policymakers gave themselves greater room for manoeuvre (or "optionality") regarding both the path of net purchases in the second half of the year and the timing of the first rate hike, which will be determined by the inflation outlook in accordance with its earlier forward guidance. This week we can also expect further impulses into the market from the BoE's Monetary Policy Committee meeting, following which a rate hike is likely to be announced, as well as the Fed's FOMC meeting. Both events will likely narrow the issuance window this week.

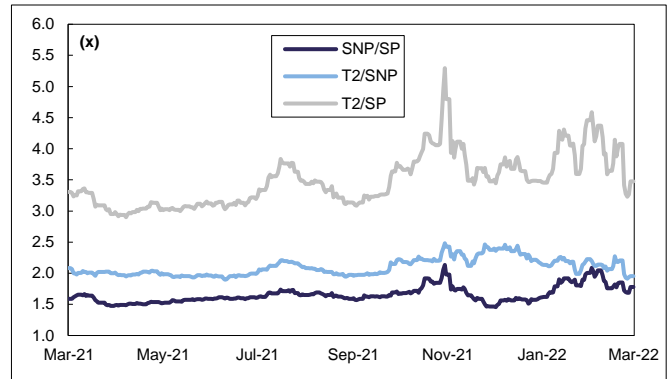
Weekly average EUR spreads were mixed across payment ranks with SP (+3.6bps), SNP (+11.3bps) and Tier 2 (+3.3bps). USD average weekly spreads were wider week-on-week with SP (+18.7bps), SNP (+24.1bps) and Tier 2 (+24.5bps). Based on data collected from Bloomberg, 83% of FIG tranches issued in March and 100% of SSAs tranches quoted wider than launch.

Western European Banks EUR Spreads and Yields

Aggregate EUR Z-spread LTM (bps)



Multiples (x)



Source: Bloomberg, Daiwa Capital Markets Europe. SP = Senior Preferred/Senior OpCo; SB = Senior Non-Preferred/ Senior HoldCo; T2= Tier 2; AT1 = Additional Tier 1. All figures based on Z to worst spread of public benchmark issuances.

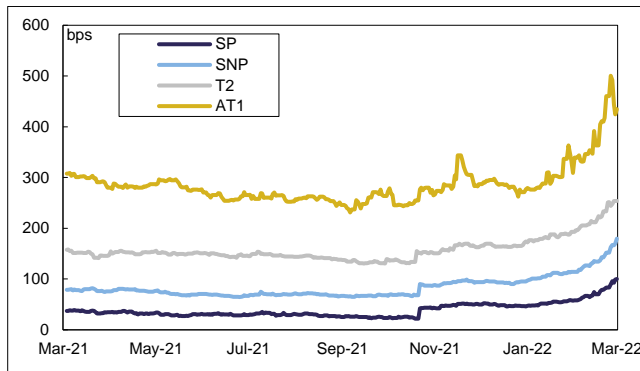
Selected Names

	Sr Preferred/Sr OpCo					Sr Non-Preferred/Sr HoldCo					Tier 2				
	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD
Commerz	3.9	1.2	53.3	7.9	21.8	3.0	1.4	85.4	16.6	45.1	3.6	3.4	268.7	15.3	117.0
Barclays	2.2	0.7	27.0	0.1	2.6	3.0	1.2	84.1	10.5	43.1	4.6	2.1	181.6	10.8	83.6
BBVA	4.6	1.3	55.7	7.6	20.2	3.6	1.3	66.4	4.7	27.9	4.6	2.2	168.2	4.5	59.0
BFCM	4.0	1.1	48.8	6.1	18.5	7.1	1.8	98.2	13.5	44.5	4.4	2.0	127.9	-0.6	57.2
BNPP	2.4	0.8	31.1	5.6	17.2	4.5	1.6	88.9	11.7	40.9	4.0	2.0	129.0	2.4	60.3
BPCE	3.1	0.8	31.5	2.2	8.1	5.2	1.8	106.9	14.2	45.2	4.1	2.1	125.6	1.5	39.6
Credit Ag.	4.0	0.7	21.8	3.0	1.7	5.7	1.7	94.2	13.0	45.1	3.7	2.0	134.8	2.0	64.6
Credit Sui.	5.6	2.4	161.1	13.5	56.1	5.1	2.0	138.6	13.1	62.5					
Danske	2.4	0.5	31.8	5.1	5.2	2.2	0.9	58.8	4.1	14.9	2.9	2.1	155.1	2.0	51.3
Deutsche	1.4	0.6	29.4	-4.5	2.7	4.2	2.2	149.3	19.1	72.6	3.5	3.2	250.3	11.6	137.6
DNB	3.6	0.8	33.0	9.3	13.0	6.8	1.7	97.4	15.9	44.0	5.2	1.1	120.5	17.0	65.3
HSBC	3.8	1.0	45.6	7.2	22.8	4.5	1.2	77.5	10.7	35.3	4.4	2.0	129.8	12.3	69.1
ING	1.7	1.7	137.1	-22.6	-25.3	5.6	1.6	87.6	7.3	39.2	6.2	2.0	145.8	8.1	64.1
Intesa	4.3	1.1	51.4	3.0	18.0	3.0	1.7	112.0	8.6	43.3	4.1	3.0	230.1	1.5	66.5
Lloyds	2.8	0.7	20.9	2.4	12.9	2.5	0.8	72.5	12.3	44.6	1.5	1.2	108.0	16.0	62.1
Nordea	4.6	1.0	32.6	11.4	21.6	5.7	1.4	60.4	6.3	17.3	7.7	2.1	146.7	8.7	63.9
Rabobank	3.5	0.7	15.2	4.3	7.7	5.2	1.4	68.6	8.7	25.9	1.3	0.2	7.7	-8.9	-0.1
RBS	3.0	2.1	137.4	-33.5	111.6	5.2	1.4	68.6	8.7	25.9	1.3	0.2	7.7	-8.9	-0.1
Santander	3.5	0.9	39.1	8.3	13.8	4.9	1.7	95.9	8.5	39.7	4.5	2.1	136.0	0.9	44.8
San UK	3.0	0.8	27.5	11.2	23.4	1.5	0.5	77.6	10.9	45.4	4.5	2.1	136.0	0.9	44.8
SocGen	4.6	1.4	75.5	13.6	40.4	5.6	2.1	132.1	19.5	69.2	4.3	1.6	150.9	7.1	74.4
StanChart	4.6	1.1	43.9	8.2	10.7	5.3	1.7	101.0	8.8	43.4	6.0	2.5	191.7	9.5	72.8
Swedbank	3.9	1.0	36.6	7.5	14.7	4.9	1.5	83.4	9.4	28.0	4.3	0.9	119.6	12.3	63.6
UBS	4.2	1.1	47.2	6.0	23.0	4.4	1.4	75.6	7.7	32.5	1.3	1.8	172.1	-4.8	95.8
UniCredit	4.0	1.7	112.1	9.3	49.4	3.9	2.2	157.2	15.4	59.5	6.8	3.4	293.9	19.6	112.3

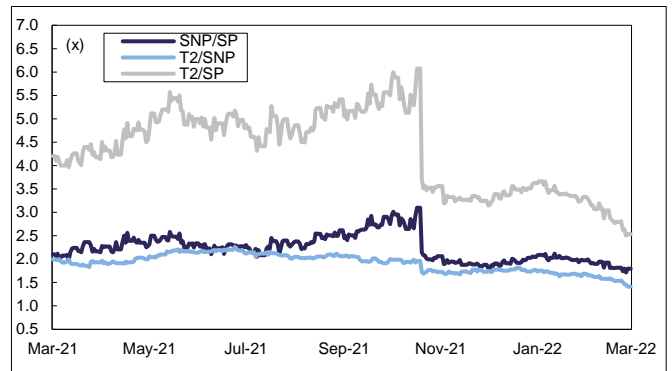
Source: Bloomberg, Daiwa Capital Markets Europe. Dur.= Duration. Yield= Yield to worst (%). Z = Z-Spread to Worst (bps). Z 5DΔ = last 5 days Z-spread net change (bps). Z YTD = year to date Z-Spread net change (bps). Blank cells represent lack of statistically significant data. Figures may not be representative of the whole market.

Western European Banks USD Spreads and Yields

Aggregate USD Z-spread LTM (bps)



Multiples (x)



Source: Bloomberg, Daiwa Capital Markets Europe. SP = Senior Preferred/Senior OpCo; SB = Senior Non-Preferred/Senior HoldCo; T2= Tier 2; AT1 = Additional Tier 1. All figures based on Z to worst spread of public benchmark issuances.

Selected Names

	Sr Preferred/Sr OpCo					Sr Non-Preferred/Sr HoldCo					Tier 2				
	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD
Barclays	2.1					4.9	3.9	202.8	23.4	84.6	5.4	4.5	261.5	29.3	93.0
BFCM	4.0	1.1	48.8	6.1	18.5	4.9	3.9	202.8	23.4	84.6	5.4	4.5	261.5	29.3	93.0
BNPP	2.4	0.8	31.1	5.6	17.2	5.2	3.8	197.1	26.6	87.7	4.4	4.0	217.5	25.1	89.3
BPCE	3.1	0.8	31.5	2.2	8.1	5.0	3.8	176.8	21.1	75.1	3.2	3.7	190.1	14.3	71.2
Credit Ag.	4.0	0.7	21.8	3.0	1.7	3.1	3.5	162.1	23.7	74.7	7.7	4.3	241.0	21.1	91.1
Credit Sui.	2.1	2.9	104.0	30.2	73.3	3.2	3.9	209.5	33.8	96.0	1.4	4.6	263.3	54.5	131.4
Danske	2.4	0.5	31.8	5.1	5.2	2.2	3.1	150.0	17.9	73.4	1.4	4.6	263.3	54.5	131.4
Deutsche	1.4	0.6	29.4	-4.5	2.7	3.5	3.8	198.5	29.9	94.3	7.9	5.5	361.3	42.2	147.2
HSBC	3.8	1.0	45.6	7.2	22.8	3.8	3.6	189.4	23.2	81.0	9.5	4.6	269.2	21.3	84.8
ING	1.7	1.7	137.1	-22.6	-25.3	4.5	3.5	170.6	25.7	81.2	2.1	3.3	183.1	19.6	84.0
Intesa	4.3	1.1	51.4	3.0	18.0	4.5	3.5	170.6	25.7	81.2	3.4	5.5	367.6	24.4	141.0
Lloyds	3.0					2.5	3.6	174.5	34.2	89.4	8.6	4.4	248.9	20.5	96.2
Nordea	4.6	1.0	32.6	11.4	21.6	2.9	2.8	168.6	21.7	58.5	8.6	4.4	248.9	20.5	96.2
Rabobank	3.5	0.7	15.2	4.3	7.7	4.0	3.2	131.0	20.3	60.9	4.0	4.0	203.1	16.5	62.0
RBS	3.0	2.1	137.4	-33.5	111.6	4.0	3.2	131.0	20.3	60.9	4.0	4.0	203.1	16.5	62.0
Santander	3.5	0.9	39.1	8.3	13.8	5.2	3.8	197.7	30.9	80.0	7.5	4.5	266.8	20.1	91.6
San UK	2.0	2.6	77.6	0.0	34.4	4.6	3.8	190.6	23.4	74.7	3.2				
SocGen	4.6	1.4	75.5	13.6	40.4	4.4	4.1	226.3	24.3	92.9	3.7	4.3	248.2	26.5	106.0
StanChart	4.6	1.1	43.9	8.2	10.7	3.5	3.5	177.8	27.6	80.7	8.7	4.7	282.4	20.1	80.9
UBS	2.5	2.8	97.0	14.2	50.4	4.2	3.4	161.7	19.8	68.2	8.7	4.7	282.4	20.1	80.9
UniCredit	4.0	1.7	112.1	9.3	49.4	3.9	4.4	246.5	27.4	121.4	6.4	6.4	454.4	45.3	174.1

Source: Bloomberg, Daiwa Capital Markets Europe. Dur.= Duration. Yield= Yield to worst (%). Z = Z-Spread to Worst (bps). Z 5DΔ = last 5 days Z-spread net change (bps). Z YTD = year to date Z-Spread net change (bps). Blank cells represent lack of statistically significant data. Figures may not be representative of the whole market.

Credit Research

Key contacts

London

Head of Research

Financials, Supras/Sovereigns & Agencies, ESG

Chris Scicluna

+44 20 7597 8326

William Hahn

+44 20 7597 5789

Head of Translation, Economic and Credit

Research Assistant

Mariko Humphris

+44 20 7597 8327

Katherine Ludlow

+44 20 7597 8318

Tokyo

Domestic Credit

Chief Credit Analyst, Financials, Power, Communication, Wholesale Trade, Air Transportation

Local government, Government agency

Electronics, Non-Banks, Real Estate, REIT, Retail trade, Chemicals, Iron & Steel, Marine

Transportation, Pulp & Paper, Oil, Land Transportation

Automobiles, Foods, Heavy equipment, Construction, Machinery

Toshiyasu Ohashi

+81 3 5555 8753

Koji Hamada

+81 3 5555 8791

Takao Matsuzaka

+81 3 5555 8763

Kazuaki Fujita

+81 3 5555 8765

Ayumu Nomura

+81 3 5555 8693

International Credit

Non-Japanese/Financials

Non-Japanese/Financials

Non-Japanese/Corporates

Fumio Taki

+81 3 5555 8787

Hiroaki Fujioka

+81 3 5555 8761

Stefan Tudor

+81 3 5555 8754

ESG

Chief Securitisation Strategist

Strategist

Strategist

Koji Matsushita

+81 3 5555 8778

Shun Otani

+81 3 5555 8764

Takao Matsuzaka

+81 3 5555 8763

DAIR <GO>

All of the research published by the London and New York research teams is available on our Bloomberg page at DAIR <GO>.

Access our research at:

<http://www.uk.daiwacm.com/ficc-research/research-reports>

This document is produced by Daiwa Securities Co. Ltd and/or its affiliates and is distributed by Daiwa Capital Markets Europe Limited. Daiwa Capital Markets Europe Limited is authorised and regulated by The Financial Conduct Authority, is a member of the London Stock Exchange and an exchange participant of Eurex. Daiwa Capital Markets Europe Limited and its affiliates may, from time to time, to the extent permitted by law, participate or invest in, or be mandated in respect of, other transactions with the issuer(s) referred to herein, perform services for or solicit business from such issuer(s), and/or have a position or effect transactions in a particular issuer's securities or options thereof and/or may have acted as an underwriter during the past twelve months in respect of a particular issuer of its securities. In addition, employees of Daiwa Capital Markets Europe Limited and its affiliates may have positions and effect transactions in such securities or options and may serve as Directors of a particular issuer. Daiwa Capital Markets Europe Limited may, to the extent permitted by applicable UK law and other applicable law or regulation, effect transactions in securities of a particular issuer before this material is published to recipients.

This publication is intended for investors who are MiFID 2 Professional (or equivalent) Clients and should not therefore be distributed to such Retail Clients. Should you enter into investment business with Daiwa Capital Markets Europe's affiliates outside the United Kingdom, we are obliged to advise that the protection afforded by the United Kingdom regulatory system may not apply; in particular, the benefits of the Financial Services Compensation Scheme may not be available.

Daiwa Capital Markets Europe Limited is part of Daiwa Securities Group Inc. Daiwa Securities Group Inc., its subsidiaries or affiliates, or its or their respective directors, officers and employees from time to time have trades as principals, or have positions in, or have other interests in the securities of the company under research including market making activities, derivatives in respect of such securities or may have also performed investment banking and other services for the issuer of such securities. Daiwa Securities Group Inc., its subsidiaries or affiliates do and seek to do business with the company(s) covered in this research report. Therefore, investors should be aware that a conflict of interest may exist.

Daiwa Capital Markets Europe Limited has in place organisational arrangements for the prevention and avoidance of conflicts of interest. Our conflict management policy is available at <http://www.uk.daiwacm.com/about-us/corporate-governance-regulatory>. Regulatory disclosures of investment banking relationships are available at <http://www.us.daiwacm.com/>.

Please note the disclaimers and disclosures on the last page of this document.

Explanatory Document of Unregistered Credit Ratings

This report may use credit ratings assigned by rating agencies that are not registered with Japan's Financial Services Agency pursuant to Article 66, Paragraph 27 of the Financial Instruments and Exchange Act. Please review the relevant disclaimer regarding credit ratings issued by such agencies at:

<https://lzone.daiwa.co.jp/l-zone/disclaimer/creditratings.pdf>

IMPORTANT

This report is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Content herein is based on information available at the time the report was prepared and may be amended or otherwise changed in the future without notice. We make no representations as to the accuracy or completeness. Daiwa Securities Co. Ltd. retains all rights related to the content of this report, which may not be redistributed or otherwise transmitted without prior consent.

Ratings

Issues are rated 1, 2, 3, 4, or 5 as follows:

- 1: Outperform TOPIX/benchmark index by more than 15% over the next 12 months.
- 2: Outperform TOPIX/benchmark index by 5-15% over the next 12 months.
- 3: Out/underperform TOPIX/benchmark index by less than 5% over the next 12 months.
- 4: Underperform TOPIX/benchmark index by 5-15% over the next 12 months.
- 5: Underperform TOPIX/benchmark index by more than 15% over the next 12 months.

Benchmark index: TOPIX for Japan, S&P 500 for US, STOXX Europe 600 for Europe, HSI for Hong Kong, STI for Singapore, KOSPI for Korea, TWII for Taiwan, and S&P/ASX 200 for Australia.

Target Prices

Daiwa Securities Co. Ltd. sets target prices based on its analysts' earnings estimates for subject companies. Risks to target prices include, but are not limited to, unexpected significant changes in subject companies' earnings trends and the macroeconomic environment.

Disclosures related to Daiwa Securities

Please refer to https://lzone.daiwa.co.jp/l-zone/disclaimer/e_disclaimer.pdf for information on conflicts of interest for Daiwa Securities, securities held by Daiwa Securities, companies for which Daiwa Securities or foreign affiliates of Daiwa Securities Group have acted as a lead underwriter, and other disclosures concerning individual companies. If you need more information on this matter, please contact the Research Production Department of Daiwa Securities.

Explanatory Document of Unregistered Credit Ratings

This report may use credit ratings assigned by rating agencies that are not registered with Japan's Financial Services Agency pursuant to Article 66, Paragraph 27 of the Financial Instruments and Exchange Act. Please review the relevant disclaimer regarding credit ratings issued by such agencies at:

<https://lzone.daiwa.co.jp/l-zone/disclaimer/creditratings.pdf>

Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law

(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.)

If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name: Daiwa Securities Co. Ltd.

Registered: Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108

Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association, Japan Security Token Offering Association